

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 CU-02 ISO-00 VO-03 SCA-01 COM-02
CIAE-00 PM-04 INR-07 L-03 ACDA-07 NSAE-00 PA-01
SS-15 PRS-01 SP-02 USIA-06 TRSE-00 OES-06 EB-08
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TO SECSTATE WASHDC PRIORITY 8221
INFO: RUFHNA/USMISSION NATO 891
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C O N F I D E N T I A L BUDAPEST 1075

E.O. 11652: GDS
TAGS: CSCE, ECE, PFOR, EEWT, ENRG, SENV, ETRN, HU
SUBJECT: BILATERAL CSCE DISCUSSIONS WITH HUNGARIANS: BASKET II

REF: STATE 045222

1. AS WITH OTHER SUBJECTS (SEPTELS), U.S. SIDE FIRST PRESENTED ITS VIEWS REGARDING BASKET II ITEMS. BASICALLY UPBEAT PRESENTATION ADDRESSED IN GENERAL TERMS VALUE OF INCREASED DIALOGUE IN RECENT YEARS BETWEEN GOVERNMENT AND ENTERPRISE LEADERS ON BOTH SIDES, THUS RESPONDING TO HUNGARIAN PROPOSAL B-1. USG DELIBERATELY AVOIDED ANY MENTION OF MFN IN INITIAL PRESENTATION, PREFERRING TO HEAR HUNGARIAN STATEMENT. PER INSTRUCTIONS, U.S. SIDE AGREED WHOLEHEARTEDLY WITH HUNGARIAN B-2 PROPOSAL TO EXPLORE NEW FIELDS OF COOPERATION, AND ANNOUNCED THAT U.S. CHAMBER OF COMMERCE HAD AGREED ON U.S. SIDE TO PARTICIPATE IN LONG-TERM COOPERATIVE PROGRAM (HUNGARIAN PROPOSAL B-3).

2. AFTER NOTING PROGRESS ON DOUBLE TAXATION AGREEMENT, U.S. SIDE INFORMED GOH THAT POSSIBILITY OF EUROPEAN CONFERENCES ON ENERGY, TRANSPORTATION AND ENVIRONMENT WOULD PROBABLY BE ADDRESSED IN PROPER FORUM, THE ECE, AND
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THAT USG DID NOT FEEL THE SUBJECT IS OR WILL BE AN ISSUE IN OUR BILATERAL RELATIONS (NOTE: GOH DID NOT REPLY OR DISPUTE THIS STATEMENT). U.S. COMPLIMENTED HUNGARIANS ON INFORMATION IT NOW PROVIDES TO ASSIST U.S. BUSINESSMEN, BUT MOVED ON TO U.S. PROPOSALS, POINTING OUT AREAS WHERE IMPROVEMENTS WOULD BE HELPFUL. NOTING EXTRA MILE BEWT (USDOC) HAS GONE TO ASSIST

HUNGARIAN TECHNICAL DAYS IN THE U.S., USG PRESENTED SAMPLE OF TYPES OF INFORMATION USG PROVIDES HUNGARY: MONTHLY COMPUTER PRINTOUT OF BILATERAL TRADE STATISTICS; VARIOUS INDUSTRY GUIDES EMBASSY FORWARDS TO FTO'S; THOMAS REGISTER WHICH EMBASSY TURNS OVER EVERY YEAR TO HUNGARIAN CHAMBER OF COMMERCE; AND IN GENERAL POINTED OUT USG EFFORTS TO BE FORTHCOMING. HUNGARIANS NOTED WITH INTEREST USDOC PUBLICATIONS EMBASSY SENDS TO GOH, INCLUDING RECENT BEWT GUIDE TO END-USERS IN HUNGARY.

3. WEAKNESSES CITED WERE TIMELINESS OF HUNGARIAN DETAILED TRADE STATISTICS (ANNUALLY, IN AUGUST) AND CONSIDERABLE LACK OF DETAIL ABOUT WHO DOES WHAT IN HUNGARY. IN ADDITION, WE NOTED SOME DIFFICULTY IN ACCESS TO END-USERS.

4. HUNGARIAN REPLY HANDLED ENTIRELY BY JANOS NYERGES, MINISTRY OF FOREIGN TRADE AND HUNGARY'S GATT REPRESENTATIVE. NYERGES STATED HE WOULD ADVISE ANY HUNGARIAN BUSINESSMAN TO THINK TWICE BEFORE SERIOUSLY PURSUING U.S. MARKET, EVEN IF LACK OF MFN WERE NOT AN ISSUE BETWEEN THE TWO COUNTRIES. U.S. MARKET IS MORE RISKY; U.S. LEGISLATION (1974 TRADE ACT) PROVIDES FOR SWIFT, UNPREDICTABLE ACTION BY ANY U.S. BUSINESSMAN WHO BELIEVES HE HAS BEEN HARMED. NYERGES RECITED FAMILIAR COMPLAINTS ABOUT TRADE ACT DISCRIMINATION AGAINST NON-MARKET ECONOMIES. HE ALSO NOTED CURRENT PROPOSED REVISIONS TO COUNTERVAILING DUTY (CVD) REGULATIONS, AND COMPLAINED THAT THE U.S. "EVEN CALCULATES HUNGARIAN CONFIDENTIAL

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ACCOUNTING DATA AND COSTS", THUS AUTOMATICALLY ASSUMING THAT A SOCIALIST STATE IS GUILTY OF DUMPING. NYERGES CLAIMED THAT ITC MACHINERY ITSELF IS HARMFUL, AND CITED PARSKY SPEECH IN JANUARY IN NEW YORK CITY TO THE EFFECT THAT APPLICATION OF U.S. LEGISLATION TO NON-MARKET ECONOMIES PERHAPS PROVIDES TOO MUCH PROTECTION.

5. NYERGES SPECIFICALLY NOTED THE RIGHT OF THE U.S. TO PROTECT ITSELF AGAINST UNFAIR COMPETITION AND TO NEGOTIATE MARKET DISRUPTION AGREEMENTS, BUT POINTED

OUT THAT GATT PROVISIONS STATE THAT RETALIATION MUST NOT BE DISPROPORTIONATE. NYERGES BROUGHT UP PENDING SHOE DECISION, AND NOTED THAT IF TWO SIDES COULD SIT DOWN AND TALK IN BILATERAL OR MULTILATERAL FORUM GOH READY TO WORK OUT ALL PROBLEMS AND COME TO TERMS WITH USG REQUIREMENTS. (NOTE: NYERGES AT THIS POINT CLEARLY REFERRING TO MARKET DISRUPTION DISCUSSIONS AS PROVIDED FOR BY GATT; HE HAD CAREFULLY AVOIDED LINKING THIS TO

MFN.)

6. NYERGES CLAIMED THAT CONTACT WITH GENUINE END-USERS IN HUNGARY IS NOT REPEAT NOT NOW RESTRICTED, AND LAID GREAT STRESS ON PROPER DEFINITION OF END-USER. IF U.S. BUSINESSMEN DEAL WITH FIRMS AUTHORIZED TO TRANSACT FOREIGN TRADE, OR WITH FTO'S, THEY WILL BE DEALING WITH THE DCEISION MAKER WHO IS RESPONSIBLE FOR HIS DECISIONS --I.E., A REAL END-USER. SHOP STEWARDS ANEDITCH DIGGERS ARE NOT END-USERS.

7.
NYERGES ALSO EXPRESSED HIS DISPLEASURE WITH RECENT DOCUMENT SUBMITTED BY USG AT ECE LUMPING HUNGARY WITH OTHER EE COUNTRIES AND CITING THOSE COUNTRIES FOR NOT PROVIDING BASIC ECONOMIC INFORMATION. NYERGES CONCLUDED WITH DISCUSSION OF MFN (SEPTTEL).
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8. U.S. SIDE RESPONDED THAT WHILE TERMS OF 1974 TRADE ACT STRICT, ACTUAL APPLICATION BY ITC TO DATE HAD CERTAINLY BEEN FAIR, WITH NO DECISIONS CONTRARY TO HUNGARY'S INTERESTS, AND WHILE PRESIDENT HAD YET TO MAKE SHOE DECISION, ACTIONS OF FORMER ADMINISTRATION CLEARLY CONFORM WITH MEETING INTERNATIONAL TRADE OBLIGATIONS. USG TOOK EXCEPTION TO STATEMENT THAT ACTUAL APPLICATION BY ITC OF TRADE ACT TO DATE HAD IN ANY WAY BEEN HARMFUL TO HUNGARY.

9. THE U.S. SIDE THEN NOTED IT HAD INFORMED DEPUTY FOREIGN TRADE MINISTER TOROK THAT PROPOSED CVD REGULATIONS ARE DESIGNED TO PROVIDE FLEXIBILITY, AND THAT HUNGARIAN THOUGHTS AND SUGGESTIONS ARE WELCOME (BUDAPEST 0596). IT SUGGESTED NYERGES HAVE HUNGARIAN EMBASSY IN WASHINGTON CONTACT TREASURY DEPARTMENT OFFICIALS AS SOON AS POSSIBLE.

10. USG NOTED THAT IT HAD DELIBERATELY REFRAINED FROM ASKING FOR MORE BASIC ECONOMIC INFORMATION FROM HUNGARY, ALTHOUGH THERE ARE WEAKNESSES, PRECISELY BECAUSE HUNGARY HAD PERFORMED BETTER THAN SOME OTHER STATES. USG DECISION NOT TO RAISE THIS ISSUE HAD BEEN DELIBERATE, IN RECOGNITION OF THIS FACT. EXPRESSING AGREEMENT WITH NYERGES' DEFINITION OF END-USER, U.S. SIDE NEVERTHELESS POINTED OUT THAT MORE INFORMATION ON END-USERS IS REQUIRED.
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